ISSUES AND UPDATES

PERSONAL SERVICE COSTS

PAY PLAN

The FY 2004 budget includes an average merit adjustment of 3.2% for classified employees with a total salary cost of approximately \$146,000. ATP employees in ranges 7 through 16 will be eligible to receive an average merit adjustment of 3.2% and ATP employees in ranges 17 and above will be eligible for a 2.2% merit increase. The total salary cost for merit increases for ATP employees is estimated to be \$171,000. The annualized cost for merit increases to all employees (including the employee related expenses at 10.83%) is approximately \$710,000. Employees who are in the skill based pay plan are eligible for pay adjustments based on acquiring skills and knowledge that are associated with skill blocks.

For FY 2004 no market increase is being recommended due to budget limitations. This recommendation is consistent with the City's compensation policy that states increases are based on market analysis and the City's financial capability to afford the increase. This recommendation has been presented to EAC.

Skill base pay was successfully implemented in the Utilities Department as a pilot program at the Wildcat and Rio Plants. This coming fiscal year skill based pay will be implemented in the Collections and Distribution Division. Skill base pay is a means to increase productivity and efficiency through use of technology and a multiple-skilled workforce and compensate employees for the increased value they bring to the job due to their knowledge and skills that are currently outside their specialty.

HEALTH INSURANCE

Fiscal year 2004 begins the eleventh year the City has participated in the joint purchasing of health insurance through Northern Arizona Public Employees Benefit Trust (NAPEBT). NAPEBT members are Coconino County, Flagstaff Unified School District, Coconino Community College, and the City of Flagstaff.

The premium increase for health insurance this year is 14.1%. The main factors for the increase are the continued increase in costs for health care services (prescriptions, technology, utilization, cost shifting based on government regulations, etc.) as well as plan utilization (claims).

Each year the Board of Trustees for NAPEBT reviews the plan design with its consultant, the Segal Company, to ensure appropriate levels of coverage and cost are being considered. No changes are being implemented this year.

FY 2004's budget reflects the continuation of the City of Flagstaff paying the full premium for the employee and keeping the subsidy for dependent health insurance at its current rate of \$244.00 per month. For FY 2004 the total budget for employee only health insurance is \$2,993,747, which is an increase of 14% to all funds. The total cost of the dependent subsidy to the City is approximately the same as FY 2003. The increased cost to employees for dependent health insurance will be approximately \$68.32 per month.

Dental insurance premiums, both employee only and dependent, resulted in a rate increase of approximately 11%. The City pays 100% of employee coverage and employees pay 100% for dependent coverage. Serving as the City's Benefit Committee, the EAC made the following recommendations for benefit changes to be effective July 1st:

- 1. Increase in the deductible from \$25/75 to \$50/150.
- 2. Increase annual maximum coverage from \$1,000 to \$2,000.

RECLASSES, RERANGES, RETITLES, REZONES

Maintenance of the job classification system is an ongoing process to ensure that job classifications accurately reflect the responsibilities and tasks being performed by City employees. If a department head believes that an employee(s) is functioning out of class on a regular basis or that job responsibilities have changed sufficiently, a request may be made for the Human Resources Division to conduct a review. The Human Resources Division then conducts an audit and evaluates the request utilizing Decision Band Method (DBM) methodology.

If the audit and analysis indicates that an adjustment needs to be made to a position classification, Human Resources procedures allow for four types of changes.

- RECLASS An individual(s) within a classification is evaluated in regard to moving that person(s) from others in the same classification to a higher (or lower) classification. Some instances may include a title change.
- 2. RERANGE A classification in a given pay range is evaluated in regard to moving that

position classification to a higher (or lower) pay range. This effects all employees in the classification, including single incumbent classifications. Some instances may include a title change.

- RETITLE A job title is evaluated in regard to changing the job title only. This does not effect pay.
- 4. REZONE An individual within a broadband may be move to a higher-level zone within the broadband based on the employee's performance.

The audit can also show that the position is properly classified and/or titled and that no changes are needed.

All requests from departments were submitted to Human Resources for review, and only those recommended for approval were forwarded to the Budget Review Committee for inclusion in the FY 2004 budget. Human Resources have notified all department heads of the status of their requests, whether approved or disapproved. All approved changes will be effective as of July 1, 2003.

Human Resources received a total of 33 requests and the following shows those positions that were approved:

RERANGES						
Old Position Classification	Old Range	New Title	New Range	No. of Employees Effected		
Deputy Court Clerk	7	No Change	8	1		
Utilities Service Supervisor	12	No Change	13	1		
Construction Manager	12	No Change	13	1		
Urban Design Planner	12	No Change	13	1		
Sales and Marketing Manager	9	No Change	12	1		
Contract Assistant	8	Contract Specialist	9	1		
Meter Reader Supervisor/Collection	7	Meter Reader Supervisor	8	1		
Environmental Services Manager	12	Environmental Program Manager	14	1		

REZONES					
Current Job Title	Old Zone	New Job Title	New Zone	No. of Employees Effected	
Administrative Specialist	1	No Change	2	1	
Administrative Specialist	2	No Change	3	6	
Administrative Aide	2	No Change	3	1	

REORGANIZATIONS

Fire Department

In an effort to increase efficiency and provide greater opportunity to address the on-going drought, growing insect epidemic and the potential for catastrophic wildfire, the Fuel Management Division has reorganized. This opportunity became available when a lead worker position became vacant. Rather than filling the position as a lead worker the position was down graded and changed to Fire Fuel Management Technician. Four seasonal

crewmembers were also eliminated to create an additional Fire Fuel Management Technician. This resulted in one lead worker and two Fire Fuel Management Technicians. This reorganization allows for work to be performed year round and not just during the summer months.

Public Works & Capital Improvement Division

In an effort to improve efficiency and better align organizational needs the Engineering Project Manager I that was assigned to the Public Works Department in Recreation was transferred to the

Capital Improvements Division and the Senior Project Manager from Capital Improvements Division was moved to Public Works. The Engineering Project Manger I transfer will be a permanent transfer while the Senior Project Manager reassignment will be a temporary for approximately three years to complete the specific projects. This reorganization will be evaluated on an annual basis during for a three-year period to determine if this organizational structure is still appropriate.

POSITION ADDITIONS/DELETIONS

In preparing budget requests for FY 2004, departments were informed that new position requests would not be considered except for:

- 1) Those that could identify a funding source;
- 2) Those that are an inappropriate use of temporary positions.

	2000	2001	2002	2003	2004			
Public Safety	222.75	232.00	245.50	245.00	246.75			
Public Works	182.50	184.50	194.75	191.25	185.25			
Mgmnt Services	87.75	91.00	93.50	85.25	84.50			
General Admin	44.75	45.75	71.50	78.00	81.75			
Utilities	72.00	71.75	74.75	74.50	73.00			
Community Dev	75.50	75.00	66.25	67.25	67.75			
	685.25	700.00	746.25	741.25	739.00			
5 YEAR HISTORICAL TREND Public Safety Public Works General Admin Utilities Utilities								
2000 20	01 2002 200	03 2004						

A review of the Personnel Table of Organization (see Appendix Section), provides complete detail, including staffing request changes that are reclassification requests and transfers of personnel between divisions to accommodate changing program needs.

As part of the budget reduction efforts, a Vacancy Review Committee (VRC) has been established to review any open position and to make recommendations on whether that position should be filled. A total of 7.50 FTE's were reduced in FY 2003 through the VRC process. These efforts will continue into FY 2004 through a workforce development program. A programmatic review will be completed with the intent to identity twelve to fifteen general fund positions that provide low priority service. The City will attempt to train and move these staff to other positions within the City as vacancies occur through attrition. The VRC and

Budget Committee will work in conjunction to identify those positions.

In addition, divisions made various budget cuts that reduced staffing. As a result of those efforts, positions have been permanently removed from the City staffing base.

Employees	per 1000 Popul	ation	
	Population	Employees	Emp/Pop
1980	34,743	422	12.1
1985	38,247	470	12.3
1990	45,857	527	11.5
1995	52,701	612	11.6
2000	52,894	685	13.0
2003 *	59,160	739	12.5
_		ılation	
			12.5
2000			12.5
1		11.6	-
2000			-
1		11.6	-
1		11.6	13.0
1990		11.6	12.3
1990		11.6	12.3
1990	11.0 11.5	11.6	12.3

Increased Service Levels:

Environmental Services (0.25): With the implementation of the Stormwater Utility, additional public education and outreach services will be needed. The duties of the existing Environmental Administrative Aide have been expanded to meet this need.

Stormwater (1.75): The Stormwater Utility added a 1.0 Stormwater Services Analyst to implement the operational components of the NPDES requirements effective March 2003. Temporary positions totaling 0.75 have been added to assist with the issues that will arise during the first year of implementation. These positions are funded through the utility.

Utilities (0.0): As water conservation has become more important to the community so has the need to educate and enforce existing policy regarding conservation. Utilities will add 1.0 FTE Water Conservation Program Manager and 0.5 FTE's as enforcement agents. These staff additions reflect as a zero (0) add to the staffing base as these positions

must be filled with existing City staff whose positions have been removed through the VRC process as described above.

Maintaining Service Levels:

Police (3.0): The City reduced the police staffing by 3.0 FTE's in FY 2003 due to budget constraints. These positions have been replaced in the FY 2004 budget to meet continuing demands on the police force as necessitated by a growing population and greater demands as required through the Homeland Security Act.

Court (1.25): The Court has increased the probation officer position from a 0.75 FTE to 2.0 FTE's in order to meet current demands.

Library (0.50): The usage at the Jail Library as well as the hours of operation have changed necessitating the addition of a 0.5 FTE to provide additional service during the morning hours. This position is funded through the Library District.

Utilities (0.0): The water and sewer models need to be linked to GIS and the data regularly updated to keep the models current. A 1.0 FTE GIS system analyst will work maintain these databases. This staff addition reflects as a zero (0) add to the staffing base as this position must be filled with existing City staff whose positions have been removed through the VRC process as described above.

Environmental Services (0.0): Due to service growth in the residential sector and in hoist and haul services, Environmental Services has exceeded the standard for staff to household trash and recycling pickup. Environmental Services is authorized to add 2.0 FTE Equipment Operator II's. These staff additions reflect as a zero (0) add to the staffing base as these positions must be filled with existing City staff whose positions have been removed through the VRC process as described above.

Visitor Center (5.75): The management of the Visitor Center has transferred to the City of Flagstaff from the Flagstaff Chamber of Commerce. While this has increased staffing to the City, overall costs did not increase as these were previously borne through the management contract with the Chamber.

Budget reductions:

City Manager (0.25): The City Manager's office removed 0.25 FTE that was anticipated to be used to cover for a pending retirement.

Capital Improvements (2.0): Two FTE's from the Capital Improvements division have been deleted from the City's authorized FTE's. As a result, the Capital Improvements division has reevaluated their work plan to accommodate this staffing pattern. The same projects are on the five-year plan, however some projects may have extended beginning or completion timeframes.

Information Services (0.75): Information Services no longer has a GIS temporaries budgeted. Fieldwork will be completed on an "as needed" basis.

Library (0.50): The Library had 0.5 FTE vacant for Library Page positions. It was determined that the Pages provided a non-essential service to the Library. The Library may experience some delays in the books being re-filed on shelves.

Community Development (1.25): The Community Development Administrative area has automated their switchboard operations that eliminated the staffing in this area.

Police (1.25): The VRC eliminated the Cooperative Education Aides from the Police budget as they provided non-essential service in the maintaining of our public safety.

Parks & Recreation (6.75): The Parks and Recreation department evaluated all programs and made reductions in both parks maintenance efforts as well as recreational activities.

Mechanical Shop (1.0): The shop will also reevaluate their work plan to accommodate the needs of fleet maintenance within the parameters of fewer FTE's.

Utilities (1.5): Through the Utility Skill Base Pay program, and the combination of staff from the Rio de Flag and Wildcat plants, overall FTE's have been reduced with no anticipated reduction in service.

City of Flagstaff Cost Allocation For Fiscal Year 2004

CENTRAL SERVICE	GENERAL AND OTHERS 001	LIBRARY 030	HURF 040-044	UTILITIES 201	STORMWATER 210	AIRPORT 270	ENVIRON. SERVICES 280	TOTAL	TOTAL CHARGED OUT - GF
General Fund Services									
Non-Departmental	\$ 2,167,876	32,139	79,448	135,604	40,560	35,554	70,902	2,562,083	394,207
Council & Commissions	103,408	7,139	27,990	39,920		8,172	17,993	204,622	101,214
City Manager	359,396	32,567	78,737	116,731	•	21,365	63,214	672,010	312,614
City Clerk	77,674	5,642	20,683	31,233	•	5,714	14,227	155,173	77,499
Law	313,997	16,403	60,127	86,394	•	16,610	41,360	534,891	220,894
Human Resources	295,510	25,642	27,261	50,996	•	7,949	33,463	440,821	145,311
Management Services	463,901	47,921	97,356	145,608	•	299'06	36,703	882,156	418,255
Information Systems	357,168	16,172	43,510	120,735	•	14,384	74,798	626,767	269,599
Finance and Budget	282,931	33,021	55,886	108,995		26,336	42,340	549,509	266,578
Sales Tax & Licensing	489,657	21,477	•	20,845		17,685	32,846	582,510	92,853
Public Works Admin.	43,764		41,516	1		45,183	44,086	174,549	130,785
Public Facilities Maintenance	440,380	57,842	36,900	23,832		11,255	42,276	612,485	172,105
Soils Remediation	54,390	282	55,145	19,398		3,831	68,123	201,169	146,779
Mechanical Shop	58,391	303	59,201	20,828	1	4,113	73,131	215,967	157,576
Community Devel. Admin.	152,975	ı	ı	ı	1	ı	ı	152,975	1
Engineering	1,340,628	1	607,425	381,285	1	1	3,475	2,332,813	992,185
Planning	732,970	37,982	205,669	284,511	1	72,839	95,547	1,429,518	696,548
Contributions	203,858	10,430	24,009	53,804	•	4,978	26,135	323,214	119,356
Total General Fund	\$ 7,938,874	344,962	1,520,863	1,640,719	40,560	386,635	780,619	12,653,232	4,714,358
General Administration	\$ 1,046,577	80,254	186,808	285,354	1	51,638	152,264	1,802,895	756,318
Community Development	2,226,573	37,982	813,094	665,796	•	72,839	99,022	3,915,306	1,688,733
Management Services	1,593,657	118,591	196,752	396,183		149,072	186,687	2,640,942	1,047,285
Public Works	596,925	58,427	192,762	64,058		64,382	227,616	1,204,170	607,245
Non-Departmental	2,475,142	49,708	131,447	229,328	40,560	48,704	115,030	3,089,919	614,777
	\$ 7,938,874	344,962	1,520,863	1,640,719	40,560	386,635	780,619	12,653,232	4,714,358
Utility Fund Services		4	, c	(699 00)		7007	000		
	0000	1,023	, c	(69,60)	 	750,1	00,200		

COST ALLOCATION

The cost allocation plan has been developed utilizing a methodology that is in accordance with generally accepted accounting principles (GAAP). Incorporated within GAAP are three basic principles related to the allocation of central service support costs to operating departments that have been adhered to in the preparation of the cost allocation First, costs should be necessary and reasonable for proper performance of a program. Second, costs should be charged or allocated to programs in accordance with relative benefits received. A program should only be charged for services it utilizes or benefits from, and should only be charged in relation to benefits derived from the service. Third, costs should be accorded consistent treatment as either direct or indirect. A cost should not be charged to a program as a direct cost if any other cost incurred for the same purpose in like circumstances have been allocated to the program as indirect costs. The methodology accommodates detailed analysis of all service areas through the provisions of a structure that identifies total costs direct and indirect) by activity allocates/assigns costs to benefiting services utilizing a base that appropriately represents the level of benefit provided or derived from each activity by each service. The cost allocation is based on budgeted expenditures for the fiscal year ending June 30, 2002. The City utilized the services of a consultant to prepare this year's plan. The cost allocation plan will also provide information for user fees and the ability to charge indirect cost to grants.

The City has chosen to use the same allocation amounts for FY 2003 and FY 2004. This decision was made because the City is not required to update the OMB A-87 plan, which allows the City to charge indirect cost to grants. The cost allocation plan will be updated during FY 2004 and adjusted to all amounts based on FY 2003 actual expenses.

The only exception to the FY 2004 allocation is the decision to add the Stormwater Fund to the allocation. The Stormwater Fund did not exist during the preparation of the current cost allocation plan. We based this fund's allocation at 8% of total expenditures as presented in the Stormwater consultants' estimates as of March 2003.

The Full-Cost Allocation Plan can be found on the following page.

METHODOLOGY

A multiple allocation base methodology has been utilized to prepare the Plan. This methodology acknowledges that the utilization of central

administration and support (indirect) services by users varies by type of service. The cost of each indirect service or activity of a service is allocated to users based on an appropriate allocation base related to the service performed. For example, general accounting has been allocated to users based on total budgeted expenditures; accounts payable activities have been allocated on the number of accounts payable transactions processed during FY 2001; and human resources activities have been allocated on the number of budgeted fulltime equivalent positions served. In selecting an allocation base to be used, the objective has been to utilize a base for each service that is available and reasonably results in the allocation of a service to users based on the relative benefit they receive or derive. A list of the allocation basis is provided in the Appendix.

FIVE-YEAR FLEET MANAGEMENT

The goal of Fleet Management is to maximize vehicle and equipment usage, retain units as long as economically possible, and replace units that are predicted to experience high cost expenditures in the near future.

The Fleet Manager utilizes numerous criteria in analyzing the fleet replacement needs. Initially, the age and utilization of all equipment is reviewed to determine candidates for replacement. In conjunction with the end user the equipment is then scheduled for evaluation.

The Fleet Manager along with his staff evaluates each piece of equipment submitted for review. The Fleet Manager evaluates fiscal year-to-date as well as life-to-date costs to determine if the vehicle or equipment has had recent major component overhaul or replacement. If engines or transmission have been replaced or overhauled recently, retention is a strong consideration in the overall evaluation. If the units are mechanically sound and the body is in fairly good condition, the unit is usually recommended for retention another year.

If a unit has incurred a significant number of expenditures and is likely to experience major component failures, this unit will be recommended for replacement by the Fleet Manager and forwarded to the Fleet Management Committee for their consideration.

The replacement of all equipment is evaluated by the Fleet Management Committee, which is comprised of line workers throughout the City. Within strict budget constraints, the committee must make difficult decisions as to allocation of assets due to the thorough review by the Fleet Manager and limited financial funds.

This past fiscal year the Fleet Committee had a very busy year. Listed below are some of the major accomplishments and events that occurred:

- Performed the second overall fleet utilization review. Reduced the fleet by two vehicles.
- Reviewed and denied a request by the Police Department to transfer a Housing Authority 15 passenger van to the Police Department.
- At the request of Management and employees prepared a Fuel Conservation and Engine Idling policy to reduce air pollution, fuel consumption, and fleet expenditures. The Fleet Committee completed the drafts, which has been approved by the EAC and are currently being reviewed by Management.
- Reviewed and approved a request by the Police Department to purchase a new motorcycle through a State grant and retain the existing Kawasaki motorbike as a trainer.
- Reviewed and denied a request by Police Department to retain two existing "miled out" patrol sedans for use by the DARE officers.
- Reviewed a request by Environmental Services to retain G8-014 a ½ ton 4x4 pickup that is to be replaced this fiscal year with a new vehicle purchase. The request was denied and a recommendation was made to replace G8-026 a 1986 4x4 GMC pickup with G8-014. This vehicle is used to transport the landfill litter vacuum pickup system (madvac) around the landfill.
- At the request of the budget team reevaluated equipment purchases. Through guidance from Jim Brohamer, the Fleet Committee members met on December 18, 2002 and put together a plan that addressed how to manage the fleet with limited financial resources. Through rotation and reassignment of pool vehicles the City was able to defer the purchase of a total of 11 vehicles over the next two years, four this year and seven next year for a total projected savings of \$221,095.
- Reviewed and approved a second request by the Police Department to purchase three additional new motorcycles through a State grant and retain all of the remaining Kawasaki motorbike as trainers.
- Performed our Annual Replacement and New Vehicle Purchase Request for FY 2004.

Proposed Objectives for FY 2004

- 1. Perform another annual utilization review.
- 2. Review replacement criteria.

- Annual replacement review: Look at streamlining process and placing information in a centralized database.
- Update five-year replacement program.

The following is a list of vehicles in the budget:

DIVISION	,	AMOUNT
22 POLICE		
22 POLICE REPLACE POLICE SEDANS		97,500
23 POLICE GRANTS		97,500
MOTORCYCLES (3)		43,613
26 PARKS		
1 TON DUMP BED TRUCK		29,800
3/4 TON 4X4 TRUCK		27,000
28 CEMETERY BACKHOE		85,000
65 CITY COURT		03,000
POLICE SEDAN		24,375
TOTAL GENERAL FUND FLEET	\$	307,288
32 STREET MAINT. & REPA	•	450,000
MECH. STREET SWEEPER MECH. STREET SWEEPER	\$	150,000 150,000
TOTAL HURF FLEET	\$	300,000
	_	
54 WSTWTR COLLECTION		
HYDRO-VAC REPLACEMENT	\$	275,000
TOTAL UTILITIES FLEET	\$	275,000
38 AIRPORT		
SEDAN REPLACEMENT	\$	18,000
AIRCRAFT RESCUE/	Ψ	10,000
FIREFIGHTING VEHICLE		944,550
TOTAL AIRPORT FLEET	\$	962,550
41 ENVIRONMENTAL SVC	_	470.000
RESIDENTIAL SIDE LOADER ROLL-OFF VEHICLE	\$	176,000 134,000
RESIDENTIAL SIDE LOADER		176,000
COMMERCIAL TOP LOADER		175,000
TRASH COMPACTOR		425,000
TOTAL ENVIRONMENTAL		
SERVICES FLEET	\$	1,086,000
	_	
TOTAL FLEET	\$	2,930,838

FIVE-YEAR INFORMATION SYSTEMS

The Information Systems division provides hardware and software resources to assist staff in analyzing data, providing alternatives and recommendations for Council policy decisions, and meeting reporting requirements. Division staff members provide additional services including evaluation of hardware, software, in-house systems analysis, software development, and software / hardware testing. The five-year plan is needed to properly allocate financial resources for maintenance, replacement, system upgrades, and system development.

MIS Five Year Projections	Budget	=>/000=	=>/000	=>/000=	=>/222
Replacement Programs	<u>FY2004</u>	FY2005	<u>FY2006</u>	<u>FY2007</u>	FY2008
Laser Printers - Replacement	\$ 25,000	30,000	40,000	40,000	50,000
Replacement PC's	70,000	70,000	120,000	70,000	70,000
Network Core Switch	140,000	40,000	120,000	70,000	120,000
Upgrade of AS400	140,000	40,000	-	140,000	120,000
CD CAD PC Replacements	140,000	40,000	-	50,000	
Total - Replacement Programs	375,000	180,000	160,000	300,000	240,000
Total - Replacement Frograms	373,000	100,000	100,000	300,000	240,000
Local & Wide Area Network					
City Hall - LAN - Cabling & Equip	50,000	53,000	179,000	75,000	120,000
Total - Local & Wide Area Network	50,000	53,000	179,000	75,000	120,000
				-,	
GIS					
Hardware upgrades/replacement	27,000	10,000	60,000	20,000	30,000
Software upgrades	10,000	10,000	30,000	10,000	10,000
Total GIS	37,000	20,000	90,000	30,000	40,000
E-Gov	-	50,000	50,000	30,000	30,000
Software Upgrades					
Office (Word, Excel, Access, Power Point)	-	150,000	-	150,000	-
GroupWise License	-	60,000	-	-	-
Softdesk / AutoCAD	-	-	-	-	80,000
Accela Applications	10,000	-	-	-	-
Total Software Upgrades	10,000	210,000	-	150,000	80,000
New Hardware & Software Purchases					
Imaging	10,000	15,000	20,000	20,000	20,000
Laser Printers-Color	-	-	30,000	30,000	30,000
Other Hardware & Software Purchases	31,958	13,176	40,584	31,413	50,734
Total New Hardware & Software	41,958	28,176	90,584	81,413	100,734
Dublic Cofety					
Public Safety	35,800	162.000	100 000	100 000	140.000
Police Upgrades Police Laptops	•	162,000	109,000	109,000	149,000
Total Public Safety	30,000 65,800	220,000 382,000	105,000 214,000	105,000 214,000	125,000 274,000
Total Fublic Salety	05,800	302,000	214,000	214,000	274,000
Carryover	52,000	_	_	_	_
Total Expenditures	\$ 631,758	923,176	783,584	880,413	884,734
	+	,	,	,	
Funding					
General Fund MIS allocation	\$ 727,958	764,356	802,574	842,703	884,838
Total Funding	727,958	764,356	802,574	842,703	884,838
-		•	•	•	•
Expenditure Summary					
Replacement Program	375,000	180,000	160,000	300,000	240,000
Local & Wide Area Network	50,000	53,000	179,000	75,000	120,000
GIS	37,000	20,000	90,000	30,000	40,000
E-Gov	-	50,000	50,000	30,000	30,000
Software Upgrades	10,000	210,000	-	150,000	80,000
New Hardware & Software Purchases	41,958	28,176	90,584	81,413	100,734
Public Safety	65,800	382,000	214,000	214,000	274,000
Carryover	52,000		<u>-</u>	-	<u>-</u>
Total Expenditures	631,758	923,176	783,584	880,413	884,734
Excess/(deficit) Funding over Expenditures	96,200	(158,820)	18,990	(37,710)	104
Cumulative Excess/(deficit)	\$ 727,397	568,577	587,567	549,857	549,961

The current five-year plan is divided into seven classifications:

- Replacements: replacement of existing computer equipment / hardware. Examples of purchases within this classification include: personal computer, printers, AS400, network related hardware, servers, etc.
- 2. Local & Wide Area Network: software, network hardware, LAN/WAN cabling, e-mail, Internet access, wireless connectivity, data storage, servers, etc.
- 3. GIS: hardware and software related to the City's Geographic Information Systems (GIS)
- 4. E-GÖV

- 5. Software upgrades: upgrades of existing / installed applications
- New Hardware and Software Purchases: acquisitions of new hardware or software applications. Examples of purchases with classification include: Work Order Mgmt application, miscellaneous software products (MS Visio, MS Project Mgmt, AutoCAD, etc.
- 7. Public Safety: replacement and upgrade to software and hardware.

Replacements - \$375,000 estimate

Network Core Switch - \$120,000 estimate. Current switch is over four years old. Core switch is the control center for all network traffic and critical to the day-to-day operation of the City's local and wide area network.

AS400 - \$140,000 estimate

Current installed AS400 was purchased during the first quarter of calendar year 1999. IBM has indicated that no additional upgrades will be available for this AS400 model / series. Based on past experience, the City anticipates IBM will remove this model from support in the near future. Current model will be replaced with AS400 I Series. Applications processed on the AS400 include Utility Billing, General Ledger / Accounts Payable, Payroll / Personnel, Purchasing / Inventory, Fleet Mgmt, Miscellaneous Receivables, Fixed Assets, Sales Tax, Parking Tickets, Budgeting.

Personal Computers / Laser Printers - \$95.000

Allocation will allow for the purchase of replacement PC's and laser printers. Unit replacement will occur under two conditions – equipment failure or need for increase processing speed.

Network Switches - \$20,000

Eight percent of the City's network switches are three to five years old. The City has two network switch racks within City Hall and various network switches / routers located at the City's remote sites. Replacement of all switches will occur over FY2004 and FY2005.

Local & Wide Area Network - \$50,000 estimate

Tentative acquisitions:

- Data storage as required
- Security related software and hardware as needed
- Servers for cluster server environment
- Internet / web access management software
- Uninterrupted Power Supply for the computer room

2003 Updates

Planning & Special Projects

For FY 2003-2004, in addition to on-going operations, the Planning Division is geared up for a number of special projects, some of which are continuations and "next steps" of work already begun, and some of which are new starts. This list represents the significant special projects that will be undertaken by the six sections that include Redevelopment, Development Review, Design, Housing, Zoning Administration and Long Range. Virtually all of the following special projects are designed to accomplish the goal of implementation of the new Regional Plan. Most of the items will be performed in-house, however those work items that are proposed to be consultant-based are noted. All work tasks will be carried out through multi-sectional team assignments in the Planning Division and collaboration with other Divisions and Departments as necessary. Almost all of these projects evolved from the Planning Division's Strategic Work Program 2001-2004, presented to the Council in May 2001. The Planning Division's ability and capacity to take on Special Projects is always subject to the volume and complexity of the Division's ongoing operations in any one-year. Those operations are completely subject to the level of private sector activities that are difficult to predict, particularly in regard to major entitlement proposals. Thus, while ideally it is hoped that progress can be realized on all of the following special projects, the reality is that they should be viewed as opportunities that may need to be reprioritized over the course of the year.

Regional Plan/City and County IGA for Implementation of the Regional Plan

This IGA will coordinate and establish applicability and process for mutual City/County review of significant proposals. The IGA will primarily focus on determining what types of projects in key geographic areas of mutual concern (e.g., large annexation and rezoning on City/County boundaries) should undergo a system of mutual review in order to assure inter-jurisdictional coordination. proposed IGA will attempt to not introduce additional procedural steps into the development review process other than formalize an exchange process between City and County Community Development staff to allow for review and comment. Additionally, the IGA proposal will be designed to not require additional staffing, and incorporate any review and comment into the existing ongoing operations of the respective development review processes of the City and County. The City Council and County Board may ultimately elect to institute a more elaborate

process either initially or over time, and the consequences of doing so will have to be addressed at that time. However, this initial IGA proposal will be structured with simplicity and efficiency in mind, and all land use decisions (rezonings, platting, etc.) will remain within the exclusive domain of the respective jurisdictions, but presumably in accordance to the policies of the Regional Plan.

An additional element of the IGA will address respective work programs and opportunities for coordination between the City and County (e.g., special projects designed to implement the Regional Plan).

2005 Special Census

In the past, a mid-decade Special Census was the only accepted methodology to have a revised census count recognized by the State of Arizona. Census count drives the allocation of state shared revenues so it is imperative to have census numbers equally current to those used by the rest of the State. The City budgeted \$500,000 to initiate a full special census in FY 2004 should it become necessary to conduct the census in 2005.

However in April 2003, SB 1209 was signed into law that allows a city to choose among three options to obtain population estimates that would be used as the allocation basis for state shared revenue:

- Use DES projections approved by the DES Director;
- 2. Contract with the U.S. Census Bureau to conduct a sample survey; or
- 3. Continue to use their 2000 census numbers.

In consulting with the Arizona League of Cities and Towns, staff was informed that most metropolitan cities will be contracting with the Census Bureau to have a sample survey conducted and will not proceed with a special census due to the high costs. Flagstaff may choose to use the DES population estimates as these estimates include adjustments for the NAU population as well as consideration for new housing starts.

As additional information is available on the direction the rest of the State is taking, Flagstaff will make its' final decision based on the perceived validity of the results and the cost factor of a full census.

Southside Planning Phase II

Commencement of Phase II of the Southside Area Planning effort is included in next years budget at \$100,000, and will require architectural and urban design consulting services.

There are multiple issues associated with the Southside that need to be comprehensively

addressed in the near-term and ideally in a compressed and intensive format. The approach is designed to engage residents, businesses, landowners, prospective developers, and the various stakeholders in the study area and its' environs, and to arrive at a specific strategy to move forward on a number of fronts. Issues include the mixed-use design of the Stone Container site, expansion of the Redevelopment Area, Lone Tree Road, Mike's Pike, etc.

This study will set the stage for future improvements and investment in the area, including a variety of public/private partnerships designed to achieve mutual objectives.

Land Development Code Amendments

This next year's effort will include a Big Box Ordinance that addresses "supercenter" stores that combine retail with grocery sales.

Completion of the Development Fees Ordinance

The budget includes a \$10,000 carryover for completion of the Development Fees Ordinance, should the Council direct staff to complete that effort in 2003/2004. This requires Tischler and Associates consulting services.

West Side Annexation

The Westside Annexation has again programmed into next year's work effort, although there still remain a high degree of uncertainty as to the feasibility and manner in which this could occur. Included in the budget is a \$75,000 carryover for legal and utility engineering consulting services to assist in development a workable strategy for annexation, particularly in regard to the issues of water service and fire protection. While passage of the County's Big Box Ordinance has somewhat reduced the threat of sales tax leverage, there still are compelling reasons to annex potions of the Westside within the Urban Growth Boundary of the Regional Plan. Ideally, the annexation would be lead by a private sector Development Master Plan for rezoning and annexation of the McCallister property, and the overall effort could secure the requisite number of petitioners in order to realize a successful annexation.

The City is in the process of examining the options relative to service delivery, private water and fire district issues, and cost benefits associated with different annexation scenarios. This analysis is designed to determine the best approach to proceed with a petition and discuss alternatives with property owners and stakeholders and the City Council.

McMillan Mesa Plan Implementation

Pursuant to Council's adoption of the McMillan Mesa major amendment to the Regional Plan, the Planning Division will prepare the first phase of rezonings of city lands to reflect the Council's decision regarding land use. This first phase will primarily focus on the city lands designated as Open Space and Parks. Additionally, staff will be producing a concept design for the USGS area of the Mesa (see USGS in Redevelopment Section) that will eventually lead to a rezoning of that area as well.

2004 Bond Initiative Preparations

Planning Division staff will prepare and represent the following elements of an '04 Bond Initiative, if authorized by Council: McMillan Mesa Neighborhood, Open Space & FUTS, Regional Open Space, USGS Expansion, Downtown Parking Structure, and others to be determined.

Flagstaff Urban Trail System (FUTS)

Implementation: Included in FY 2004 are a number of ongoing and new FUTS projects at various stages of implementation. Some also include elements of associated streetscape treatments.

- Cheshire FUTS
- US 180 FUTS
- Bow & Arrow FUTS
- McMillan Mesa FUTS/Pedestrian Bridge
- US 89 FUTS
- Fanning to Mall FUTS
- Tunnel Springs FUTS
- Lake Mary Road/Beulah to Ponderosa Trails FUTS
- Lone Tree Road FUTS
- West Village to Walnut FUTS
- Walnut/RR underpass to Rio with Milton Pedestrian bridge FUTS
- Railroad Springs to Flag Ranch FUTS
- Rio de Flag FUTS, Thorpe Park to San Francisco in conjunction with Rio Corps of Engineers project

Open Space Program

Following on the heels of the Council's formation of an Open Space Commission, Planning staff will work with the new Commission to develop a work program that will include:

- Review and recommendations for open space priorities for a potential May 2004 Bond election, including McMillan Mesa, Neighborhood Open Space and FUTS, and Regional Open Space;
- Preparation of a Long Range Open Space Management Plan to develop management objectives and priorities for open space for the next few years.

Milton Underpass to San Francisco Route 66 Pedestrian Corridor Improvements

The Urban Design Section will begin design of this project to improve the pedestrian corridor and streetscape south of Route 66. This is primarily funded by a \$500,000 "TEA-21" grant.

Rio de Flag/Corps of Engineers

The Planning Division will continue to coordinate with the Rio de Flag project to assure adequate funding and design of "betterments" including FUTS, streetscape, and urban design elements along the corridor.

Affordable Housing

The Housing Section is responsible for coordinating plans and administering programs that ensure a variety of housing opportunities are available to a diverse population, especially those requiring entry level housing. Housing Section activities for FY 2004 are guided by the three planning/policy documents that coordinate to serve a broad cross section affordable housing needs:

- 1. The Consolidated Plan
- 2. Ordinance 2001-14
- Flagstaff Regional Land Use and Transportation Plan

The Consolidated Plan contains an assessment of the housing needs of low and moderate-income persons in Flagstaff and prescribes a strategy to address them. The Flagstaff Regional Land Use and Transportation Plan effects the creation of affordable housing though higher density land use and neighborhood revitalization concepts while Ordinance 2001-14 provides the density bonuses and code reduction incentives necessary to achieve these concepts.

In FY 2004 the Housing Section will undertake the following affordable housing endeavors through public private partnerships.

- Owner Occupied Housing Rehabilitation Loan Programs
- Mortgage Down Payment and Closing Cost Loan Programs
- Construction of New Homes on Vacant and Redevelopment Properties
- Acquisition of Existing Older and Vacant Homes for Rehabilitation and Sale
- Acquisition of Property for Future Development of Affordable Housing
- Payment of Building Permit Costs for Affordable Housing Units Built per Ordinance 2001-14
- Execution of Development Agreements with Private Developers to Build Affordable Housing on City Owned Land

The sale of City owned land would result in a substantial increase in the production of the entrylevel affordable housing stock during this and subsequent fiscal years. In FY 2004 the City will complete and execute development agreements for two large tracts of City property with private developers, selected through a competitive process, who have the expertise to construct exceptional mixed income residential housing developments with at least 20% of the units costing \$115,000 or renting for \$650 (three bedroom). The tracts are known as Ponderosa Trails (18 acres) and Rio Homes (18 acres). The size of the parcels allows for development costs, including the cost of the affordable housing subsidy as applicable, to be absorbed by the sale proceeds of a majority of market rate units. Additionally, the mixed income development concept required as a condition of the sale effects a reduction in the value and price of the land, further contributing to the affordability. The sale proceeds will be used by the City to purchase more land for the construction of affordable housing through a similar arrangement.

The creation of a Community Land Trust will also be a focus of the Housing Section in FY 2004. In partnership with a technical assistance firm provided by HUD, the groundwork for the creation of a private non-profit Community Land Trust will be started through the creation of an Ad Hoc committee of community stakeholders to create a structure for the Trust and select a charter Board of Directors.

Redevelopment and Reinvestment

The Flagstaff City Council adopted its first Redevelopment Area designation and Redevelopment Area Plan in 1992. In August of 2001, the Council designated its second Redevelopment Area for the East Flagstaff Gateway. The City Council has set aside certain funds to promote reinvestment in the community through property acquisition, public infrastructure, design services and marketing.

PROGRAMS AND FUNDING

During the past year, Flagstaff has become known as an area willing to explore partnerships and outstanding private developments. Staff proposes to leverage its work from this past year with the continued marketing of actual development projects like the Mall Expansion and Downtown.

This year's Work Program will concentrate on the following areas:

<u>East Flagstaff Gateway Redevelopment Area</u> Project has been ongoing for more than four years. The City entered into a Memorandum of

Understanding in March 2003 to allow this project to move forward.

- Implementation of comprehensive Redevelopment Plan for this 1,000-acre area
- Completing the rezoning process
- Marketing and securing tenants for the Auto Park
- Preparation of a Request for Proposal for a mixed-use project
- Implementation of Capital Improvement Projects for infrastructure around the Mall
- Resolution of State Land Lease arrangements
- Final design of the East Flagstaff Traffic Interchange

Optimum Schedule:

- Rezoning July 2003
- Site Grading September 2003
- Contracts with dealers beginning October 2003
- Mixed use RFP issued when there is substantial probability that the Village portion is moving forward with a return date six months out.
- Possible vacant Auto Dealer sites also marketed.
- Dealer pad delivery June 2004

Downtown Gateway West

Three block mixed use project that includes office, housing, retail, parking and government space. City will have to support the parking garage through a parking district. City will have to pay as you go for its office space.

This project is contingent on the timely construction of the Rio de Flag. However, since the project has received construction funding from Congress, it is likely the project will be built, removing this area from the floodplain. It will take several years for a developer to resolve design and financing issues, allowing time for the Rio to be completed.

Issue a Request for Proposal requesting plans for the entire three blocks over time. First phase will likely be housing/retail project (Block 2), second phase A is parking garage, phase B would be government offices, housing, retail and (Block 3) and lastly the mixed-use project (Block 4). Staff has received expression of interest from several major mixed-use developers.

Staff will continue to work with existing Downtown tenants and property owners to maintain and improve the Downtown business environment.

Optimum Schedule:

 Issue Request for Proposals June 2003 w/return January 2004

- Preliminary DA, June 2004
- DA, March 2005
- Creation of a Parking District 2004/2005
- First Phase, Block 2, construction begins 2005
- Second Phase A, Block 3, parking garage, construction 2005
- Second Phase B, Block 3, construction 2006

<u>Downtown Gateway East/Conference Center and</u> Hotel

Request for Proposals responses were received in February 2003. Six companies responded. Land would be swapped with Babbitt's at the Auto Park and any cost difference financed into the project development costs. Proposed project is a mixed-use development with a 200+ room four-star hotel with 20,000 square feet of meeting space with retail and a parking garage.

Optimum Schedule:

- Preliminary DA in June or July
- Babbitt Ford relocated in November 2004
- Construction December 2004
- Opening late 2005/early 2006

<u>USGS</u>

This program deals with the ongoing expansion and renovation of the USGS Campus. Working with the USGS and the GSA for timing and relocation/rehabilitation and demolition possibilities. Program could ultimately preserve existing jobs and add an additional 100+ jobs to the campus through program expansion.

Optimum Schedule:

- Preliminary campus layout July 2003
- Bonding authorization May 2004
- New facility design in 2004
- Construction in 2005
- Opening 2006

GSA

The City has developed a relationship with the General Services Administration staff through the USGS process. The GSA's goal is to relocate/expand existing and new federal programs to Flagstaff. The City's goal is to relocate non-security related programs and agencies into the Central Business District.

This is an ongoing program that involves more than 100,000 square feet of space in the region. New federal programs offer high wage paying jobs for the community.

Historic Warehouse District/Phoenix Avenue

The City acquired the former Copeland Lumber Company as part of the Rio de Flag project. This

building is listed on the National Register of Historic Places and is critical architectural and historical link to Flagstaff's early lumber history. It is the City's goal to issue a Request for Proposal to have this building rehabilitated. The Engineering and environmental reports concerning the building and site have been completed.

Optimum Schedule:

 RFP to be issued when the Rio alignment is finalized and construction of the Rio is guaranteed.

Fourth Street

The City acquired five acres on the street for possible fire station relocation. It appears that the site will no longer be needed for a fire station. The City is also building the Fourth Street Overpass that will create several developable parcels along the new access corridor. It is proposed to either sell the Fourth Street parcel outright or to have it develop as part of a larger reinvestment scheme for the area in conjunction with the overpass completion and a future Fourth Street Planning and Urban Design Study.

Flagstaff Imaging Group

This group has been meeting for more than a year and has developed capital and marketing programs that compliment other ongoing efforts in the community. The focus of the program is now in several area including:

- Route 66
- Creation of gateway entrance designs
- Preservation of our neon history
- Historic Preservation through matching grants
- Marketing monies for specific events
- Banner program

Application of this program will require coordination with a number of ongoing activities and City divisions. Elements of the programs that are dedicated to the Southside will be coordinated with the Southside Planning and Urban Design process.

Optimum Schedule:

Budget of \$205,000

\$100,000 matching grants \$10,000 Route 66

Φ10,000 Route 00

\$35,000 neon corridor

\$10,000 gateway designs

\$25,000 for banners/logos

\$25,000 for marketing

- Historic Preservation Grants implemented in October 2003
- Route 66/Phoenix Avenue report by January 2004

- Gateway design concepts by January 2004
- Neon Corridor design by January 2004
- Banner program implemented by April 2004

<u>Marketing</u>

Staff began a national marketing campaign two years ago promoting Flagstaff as a business and retail destination for companies seeking a regional retail economic base and for those businesses seeking a higher quality of life for their employees. Typically, it takes two to three years to begin to influence decision-makers regarding a market's viability. Staff proposes to continue this program and also include marketing our Requests for Proposals to a wider audience. This marketing and demographic program is proposed to be at \$30,820 and funded from the Redevelopment Fund.

Capital Improvement Division Cost Allocation

A new methodology was adopted in FY 2003 to allocate the total budgeted costs, including indirect costs, of the Capital Improvement division (CID) directly to those projects that the CID works on. Using this methodology, any decision to fund a capital project can be made knowing the total cost so the uncertainty of the fiscal impact to the operating funds in lessened. This cost allocation methodology was successful for FY 2003 and has been recalculated for current budget amounts for FY 2004.

Environmental Services

In FY 1999, the Environmental Services division was formed to consolidate the Solid Waste division along with various environmental programs including Recycling Education, Litter Code Enforcement, Abandoned Vehicles, Household Hazardous Waste, and the Clean and Green programs. The General Fund has been supporting many of the environmental programs, however, due to budget constraints and competing needs for general fund dollars, funding for these programs had been reduced. The enterprise fund had been making up the shortfall, however that was not a sustainable effort.

Several alternatives were explored including increasing the solid waste fees, restoring the general fund transfers, and establishing a separate Environmental Services fee. As the environmental services are directly related to the health, welfare, and quality of life for all citizens of Flagstaff, a separate Environmental Services fee was established at \$2 per month/per household, with billing initiating in June 2003.

Fleet Services – Use of Biodiesel

In FY 2003, the City of Flagstaff began research into the use of biodiesel for all fleet vehicles that use diesel fuel. Biodiesel is a diesel fuel substitute produced from renewable resources such as vegetable oils (soybean) or animal fats. It can be chemically transformed into clean burning fuels and used in unmodified diesel engines. Performance, storage requirements, and maintenance for biodiesel-blended fuels are similar to that of petroleum diesel. Overall, this fuel alternative is:

- Safe
- Bio-degradable
- Reduces dependence on foreign oil
- Reduces air pollutants such as soot, particulates, carbon monoxide, and hydrocarbons

Over time, the cost difference between petroleum diesel and biodiesel has decreased making it fiscally feasible for the City to switch to biodiesel. With a price difference of an additional \$0.16 per gallon as of March 2003, the total FY 2004 budget impact is estimated to be \$32,000 with 90% of the expense absorbed by enterprise funds.

Stormwater Management Utility

The City of Flagstaff initiated a Stormwater Program and Financing Action Plan in June 2000 to determine the type of stormwater program needed in Flagstaff and explores various financing options. The utility or user-fee based financing strategy was determined as the best primary funding mechanism for a more comprehensive program.

In July 2001, the City Council adopted Ordinance 2001-18 establishing a Stormwater Utility with an enterprise-fund accounting structure. The Stormwater Advisory Committee with the assistance of the City developed a program strategy in compliance with the National Pollutant Discharge Elimination System (NPDES) Phase II stormwater water quality mandate. With the adoption of Ordinance 2003-01 by the City Council in March 2003, this user-fee-based program will be implemented July 2003.

Capital Financing/Bond Program

During the FY 2002 budget process the Council directed staff to prepare a comprehensive bond program for a May 2003 special election. The Citizens Bond Advisory Task Force was formed to consider the broad needs of the community and limited financial resources. The Task Force reviewed the list of capital projects/ programs,

considered the financial resources of the City as well as the needs of the larger community, including possible items that would be placed before the voters by other public agencies. Three open houses were conducted in the Fall of 2002 and a telephone survey was commissioned to determine public support.

The Bond Advisory Task Force took formal action with a recommendation to Council on February 18th. The Task Force recommended that given the uncertainty of the City's ability to acquire open space on the McMillan Mesa, that the election be postponed until May 2004, a general election. They recommended at least four questions be included on the ballot (Fire station relocations, open space on Mc Millian Mesa, Neighborhood open space and FUTS, and USGS facility expansion).

The Council at its meeting authorized the extension of the Task Force to May 2004, to place at least the four questions as developed by the their efforts on the ballot and to allow the group to consider additional priorities. Recommendations will go to Council in December 2003 to allow for timely processing for the May 2004 general election.

E-Government

During FY 2003, the E-Government Team received City Council approval for a contract with Civic Plus to provide comprehensive web development and hosting services. During this fiscal year, the E-Team will concentrate on moving existing web pages and links over to Civic Plus, and staff training by Civic Plus on development, operations, and maintenance of web pages and servers.

For FY 2004, the E-Team will work with individual departments to develop additional web servers (static and possibly interactive). It will be the responsibility of the E-Team, with the assistance of Civic Plus, to prioritize and implement new services. There is a budget of \$30,000 in the PIO program to perform the above activities.

2004 Issues

Pulliam Airport Runway Extension

The runway at Flagstaff Airport was extended to its present length of 7000' in 1969 and has been adequate to meet the changing needs of aircraft and the industry through the use of the smaller turboprop equipment. America West Express Airlines has indicated they are phasing out turbo prop aircraft and replacing them with Regional Jets (RJ's). These

aircraft are quieter, faster, and are readily accepted by passengers that prefer jets to propellers. These aircraft range from 35-100 seats and are designed to serve the 100-1000 mile flight segments. Due to their aerodynamic design they require more runway for operation than many larger jet aircraft.

Additionally, aircraft performance in Flagstaff is affected due to our elevation of 7000' above sea level. This affects both the runway length necessary for a particular aircraft to operate and the maximum weight with which it may take off. Airlines operating RJ aircraft may be so limited by weight restrictions that it becomes unprofitable or impossible to operate at all without a runway extension.

The Boyd Group Study commissioned by the City of Flagstaff and a similar study conducted by ADOT in the late 1990s indicated that Flagstaff's future airline growth potential lies in service to a second hub such as Salt Lake City, Denver, or Los Angeles. These flight segment lengths are the distances preferred by the airlines for RJ use. We have been informed by one operator, Skywest Airlines, that additional runway length at Flagstaff would be necessary for them to consider serving us in the future.

The City of Flagstaff has applied to the Federal Aviation Administration (FAA) for a grant to construct an extension to the runway. The FAA has indicated interest in funding the project as soon as FY2004, dependent on the completion of an Environmental Assessment and a Cost/Benefit analysis.

The runway extension can be constructed on property currently owned by the City of Flagstaff. The required safety area will extend onto U.S. Forest Service property over which we maintain an Aviation Easement.

The City has the runway extension in its 5-year Capital Development Plan. Of the total \$10.5 million in estimated project costs, FAA grants will contribute 91.06%, ADOT has committed to match 4.47%, and the City is responsible for the remaining 4.47%.

Credit Card Acceptance

The City of Flagstaff currently accepts cash or check for payment of various City services at the Cashier's windows in City Hall. Additionally, utility bills may be paid through bank drafting. With the continued growth of the City and its services, the City is now evaluating the merits of accepting payments by debit or credit card as customer requests to pay by debit or credit cards has steadily increased.

The options for credit card acceptance include:

- Accepting credit cards for all over-the-counter transactions. The City may have to purchase additional software to facilitate the interface with H.T.E. and the City would incur transactions fees charged by the financial institution administering the account.
- Accept debit/credit payment using an interactive voice telephone system allowing customers to obtain information about their accounts and pay their account by way of punching numbers over the telephone. This option entails additional software and hardware purchases as well as improvements to the telephone and computer systems
- Accepting internet/online payments. The City utility software currently has an Internet package that would allow for online payment as well as customers ability to pull up a simulated view of their utility accounts to see billing and payment histories or their current balance. Additional hardware support would be needed for this option.
- Outsourcing through a third party vendor. The outside vendor would accept credit card payments on the City's behalf. The vendor would charge a fee between \$2 \$6 per transaction that would be paid by the customer in addition to their bill amount. This methodology is used by both APS and Citizen's Utilities by utility customers who need to keep a service from being disconnected for non-payment. This method would not require any additional outlay for system upgrades.

Should the City choose to offer debit /credit cards, it will also have to be determined whether to charge a convenience fee or build the transaction fees into the rates charged to all City customers. These fees are approximately 2% of the sale plus a per transaction fee

City staff will be pursuing the acceptance of debit/credit cards at the customer service window as an initial measure. As procedures are determined the City should look to expand credit card acceptance to other locations.

Visitor Center

On March 1, 2003 the management of the Visitor Center (VC) changed from the Chamber of Commerce to the Convention and Visitor Bureau (CVB). As part of this change, the CVB engaged their industry partners in a process to identify the mission and goals of the Visitor Center with an emphasis on reorganizing the service provision to be more proactive in selling Flagstaff. As a result of this process, the following needs and solutions were identified:

- The Visitor Center staff needs to be actively involved with the hospitality service industry through active involvement with various local organizations including but not limited to the Flagstaff Innkeepers Association, The Northern Arizona Restaurant Association, the Downtown Business Alliance and local Bed & Breakfast organization.
- The CVB will develop a plan to standardize training for front line employees regarding community and regional information and customer service.
- Visitor Center staff will call regularly on partners in the community to convey information regarding the latest changes and additions to events happening in and around Flagstaff.
- The CVB is developing an expansive volunteer program that will engage community members not previously represented at the Visitor Center. The CVB is also talking to the Flagstaff Mall about a visitor information area that could be located there.
- Visitor Center staff will also raise awareness of services offered to non-industry community members by promoting the Historic Train station as a tourist destination. Space renovations are planned at the Train station to facilitate retail opportunities, display areas, and demonstration areas for local artisans.

In summary, the CVB and the Visitor Center are working toward a common goal – to increase the length of visitor stays and visitor satisfaction while in Flagstaff. Together, the CVB and the VC will create a number of niche-based itineraries that will allow visitors and locals to understand all of the community and regional offerings.

Fire Risk and Forest Health

Recent large and dangerous wildfires and unprecedented populations of bark beetles, aggravated by the on-going drought, have provided dramatic evidence of the unhealthy state of our forests.

Research indicates the current bark beetle population will expand 10-fold in 2003. We can expect to see a noticeable increase in tree mortality beginning in May. The epidemic is expected to last another 2-4 years.

It will take years of above-normal precipitation to reverse the effects we are now experiencing. The first-year estimated financial effect of a catastrophic fire in Flagstaff (loss of 300 homes in late May/early June) is an estimated \$69,000,000.

Nationally, 98% of all ignitions are "caught" during initial attack. Federal preparedness funding is remaining constant, but forests and districts have been advised to expect a 25% reduction in the amount they receive. Locally, this means the Forest will have fewer engines, lookouts, and personnel to suppress wildfires: We can expect a few fires to escape initial attack and have the potential to develop into a catastrophic event.

Flagstaff has been extremely proactive in forest health management. Our community is very well educated on this general subject and is supportive of efforts to reduce wildfire threat, improve forest health, and restore the ecological balance of our environment. Approximately 1,200 acres per year are being treated and a backlog of requests continues to build and demand for Fuel Management services.

Ongoing efforts include:

- Increased public education to including multimedia and neighborhood meetings
- Coordinating efforts with the U.S. Forest Service in the area of treatments, response preparedness, and communication protocols
- Development of an Emergency Operations Center (EOC), with identified key players, and a scheduled wildfire drill

Homeland Security

As a result of the world events since September 11, the Flagstaff Police Department has been significantly impacted by having to devote considerable resources in two primary areas. Homeland defense, including a variety of different functions and tactics, and the oversight of local protests and demonstrations which have become almost commonplace resulting from the war in Iraq.

The Police Department continues to provide it's normal dedicated service to the Community utilizing existing resources while also providing these additional services. The following lists the different details provided as a result of increased security due to the war on terrorism and the resulting political controversy.

 Additional officers are being assigned to security duties at City Council meetings including members of the Department's Bomb Squad checking the Council Chambers and City Hall for suspicious packages and persons prior to each meeting. Similar building checks are being made on a daily basis at City Hall, the City Court Building, and the Police Department.

- One officer will be assigned full time to work in the regional Joint Terrorism Task Force (JTTF) that will be based out of the FBI's Flagstaff Office. This task force, created by the U.S. Department of Justice is charged with developing intelligence information on possible terrorist activities and following up on potential investigative leads.
- Police Administrative staff participate in the Anti Terrorism Task Force (ATTF), created to assist police administrators in sharing intelligence information and coordinating efforts in combating terrorism at the Local, State, and Federal levels of law enforcement.
- Planning efforts have been enhanced to include potential target identification, emergency plan updates, regular meetings to share information and improve communications among the various public safety and health agencies, and conducting several large disaster drills.
- Additional training and equipment are being given to all officers in order to improve their first responder capability in the event that weapons of mass destruction are ever deployed in this region.
- Due to the civil unrest, training in the area of protests and demonstrations is also being given a priority.
- One officer is being stationed at the Airport 12 hours a day, 6 days a week, in order to supplement security for the airlines. While the Federal Government is funding this detail, the assignment still detracts from the current available pool of police officers.
- Intensified patrols of potential targets such as the City's Water Treatment Plants are being conducted and an increased police presence is being conducted at the majority of community events.

Drug Cases and Probation at the Flagstaff Municipal Court

In 1996 the Flagstaff Municipal Court established a probation division to help with the supervision of defendants that were placed on probation by judges at the court. Probation was established in statute to allow defendants to avoid jail time while they seek counseling, substance abuse treatment programs, and other court ordered sanctions while they still maintain a job and involvement in the community. These reasons still stand today and have been expanded within current law to include more and more individuals.

More than ever the demands on probation at the limited jurisdiction courts are increasing due to several factors including:

- Steadily increasing case loads from 150 in January 2002 to 240 in April 2003
- Increased efficiency in filings—drug possessions no longer need to be reviewed by the County attorney so cases that had been taking six months to be filed in the court system now frequently are filed within 24 hours, many of which then receive probation.
- Proposition 302 and changes in A.R.S. § 13-901.01 passed by voters in November 2002 requires that probation be sentenced for all Possession of Marijuana (A.R.S. § 13-3405) and Possession of Drug Paraphernalia (A.R.S. § 13-3415) cases. The court currently monitors 23 drug related cases on probation at the beginning of this process. In 2000 the number of cases that would have qualified for probation would have been 229, in 2001 we would have seen 390 and in 2002 there would have been 285 (as of 11-20-02).

These trends have exceeded the capacity for the current 0.75 FTE in the probation department to administer. Solutions considered included hiring additional staff, contracting probation services, or reassigning other current court employees.

After consideration of the merits of each alternative, the Council approved the increase of probation officers to 2.0 for FY 2004.

Parks and Recreation Murdock Summer Program Phase Out Plan and Budget Reductions

Due to fiscal constraints within the FY 2004 budget proposal, closure of the Murdock Center has been proposed and accepted by the City Council after activities scheduled for the summer of 2003 are complete.

In addition to the facility closure, the decision included elimination of all expenses associated with Murdock Center which entail program cuts that were in existence prior to use of the building. These programs are not dependent upon a specific facility and included: weeklong summer programs (Jam Packed Fun, Biking Adventures, Theme Weeks, and Safety City); youth and teen trips; youth development workshops (Babysitting, Leadership Academy); a wide variety of interest based instructional classes for preschool, parent-tot, school age, preteen, teen and adult target markets; facility rentals; and, teen activity nights (dances).

The decision was made to keep the Murdock facility open through the summer as the majority of schools

will be under construction summer 2003 due to Students First projects, and therefore, are unavailable for use as summer program sites. Also, the City was concerned that parents and guardians who are accustomed to depending on Parks and Recreation for the provision of youth summer programs may have difficulty accessing alternatives on such short notice. Programs offered include the primary weeklong programs: Biking Adventures, two sections of Jam Packed Fun (two age groups), and the AM option for therapeutic recreation. Staff will be able to let the public know that this will be the last year for these summer services. Parents and other service providers will have a year to "gear up" for summer 2004.

Additionally, many of the City's recreation centers will also be under construction this summer for ADA restroom renovations. There is a possibility of needing the Murdock Center for temporary storage and perhaps as a site for displaced programs in the evenings and on weekends. The Murdock Center will be used daytime Monday-Friday as the site for one of the Jam Packed Fun sections this summer. Staff will use the summer to transfer equipment and supplies to other recreation sites and by end of August 2003 the facility will be clear.

A final decision on the disposition of the Murdock Center has not been made. Council will explore opportunities during the fiscal year.

Revenue Growth Strategies

In response to Council direction, City staff with consulting assistance has been evaluating current user fees to determine if existing rates were adequate and if there were new fees not currently charged that are reasonable to do so.

The twelve areas within the City that were evaluated include: Facilities, Fire Department, Parks & Recreation, Airport, Cemetery, Community Development, Stormwater, City Clerk, GIS, City Court, Police Department, and Sales Tax & Licensing

The implementation plan currently includes the following components:

FY 2003:

- Facilities: Increase City Hall meeting room rental rate
- Community development: Increase building permits valuation as established in 2001 ordinance
- Therapeutic recreation: Increase the fees
- Library: Increase copy charge fees and implement Internet usage fee for non-patrons

FY 2004:

- Fire Department: Increase subscription service base rates at time of contract renewal
- Parks & Recreation: Increase various equipment and use fees
- Stormwater Utility: Implement the utility
- Cemetery: Increase easement and site open/close fees
- Airport: Administer new leases
- OMB-A87 administrative cost recovery

Future years:

- Building: Evaluate increases to the square foot valuation on residential structures
- Engineering: Evaluate services for possible fee charges
- Fire: Evaluate fire inspection and re-inspection fees for commercial property
- Fire: Evaluate the impact of extending subscription service
- Cemetery: Maintain rates for out of town residents to match those in the rest of the state
- Sales tax: Evaluate the impact of the assessment of an annual sales tax/business license
- Sales tax: Evaluate the pros & cons of the institution of a City use tax
- Facilities: Evaluate the impact of standardizing the room rental rate to all City facilities
- Liquor license: Evaluate the implementation of liquor license application, issuance, annual fees, and special event fees on a sliding basis to those establishments that hold or apply for a liquor license
- Cable franchise: Explore the possibility of increasing the cable franchise fees by up to 2%.

As the City continues to explore user fees as a means to generate new revenue to meet current and future citizen expectation, the City will be aware of the various demands placed on those who have to pay.

Transportation Plan

In March 2002 the Flagstaff Metropolitan Planning Organization (FMPO) adopted its "2002-2025 Regional Transportation Plan." The plan goals, policies and strategies are verbatim from the "Flagstaff Area Regional Land Use and Transportation Plan (RLTP)." Since the council retreats in the fall of 1999, several key strategies have been implemented by the FMPO and its member agencies.

Major Points--Projects Completed:

Butler-Enterprise Intersection realignment

- Schultz Pass Road/Fremont intersection realignment
- Mountain Line Transit Launch

Projects In Process:

- Soliere Extension
- Country Club widening
- Lockett Road traffic calming/safe-to-school project
- E. Flagstaff Traffic Interchange (RLTP T1.1 (b))
- Fourth Street Railroad Crossing (RLTP system plan, T1.1 (b))
- Industrial Road paving (RLTP system plan)
- Empire Road extension to US 89 (RLTP system plan)
- Route 66 Bus pullout design and construction (RLTP system plan)
- US 180 Trail, US 89 Trail, Lone Tree Road Trail, Route 66 Trail

Studies/Documents Completed:

- Short Range Transit Plan 1999, T2.1 (a)
- Roadway Categorization Plan 2001 (map in RLTP), T1.6 (a)
- Multi-modal Corridors 2001 (map in RLTP), T1.1 (b)
- Truck Circulation Plan 2001 (map in RLTP), T1.8 (a)
- Bikeways Corridor Plan 2001 (map in RLTP), T3.1(c)
- Regional Traffic Model 1997 and 2000 updates
- Develop and Adopt Transportation Funding Mechanisms – May 2000 and ongoing, T1.5 (a)
- Pursue Mass Transit Funding May 2000, October 2003 and ongoing, T1.5 (b), T2.2 (a)

Studies/Documents In Process:

- Transportation Demand Management 2005 potential program launch, T4.1 (a)
- Neighborhood Traffic Mitigation Program 2004 potential policy/program adoption, T1.4 (a)
- Flagstaff Urban Mobility Study 2003 completion, T1.6 (b) – access management system
- Signal Synchronization Feasibility Study 2003/2004 design, 2004-2005 implement, T2.1 (a)
- Pedestrian and Bicycle Facilities Guide 2003 completion, T1.1 (a), T1.2 (b), T3.1 (e)
- Coconino County Air Quality Maintenance Plan 2003 completion
- City of Flagstaff Engineering Standards (new street sections by functional class) – 2003 adoption, T1.1 (a) and T1.2 (b)

Remaining RLTP Requirements:

- Develop connectivity guidelines T.1.2(c)
- Develop and adopt On-Site Transit Improvement Requirements – T1.5(c)
- Work with Railroad Service Providers T1.7 (a) an intermodal freight facility study may commence in FY 2004
- Identify and implement intermodal connections projects, T1.9 (b)
- Establish Multimodal Street Design Criteria T1.1

 (a) addressed indirectly in draft engineering standards, urban mobility study, design review guidelines, pedestrian and bicycle facilities design guidelines
- Integrate transit into multimodal street design criteria T2.3 (a)
- Coordinate Trail Program with USFS T3.1 (b) work has been done through the Greenways and Open Space plan and the Pedestrian/Bike design guidelines process
- Adopt Accessible Community Design Standards T3.2 (a)
- Adopt Transit-Oriented Design Standards T3.2
 (b)
- Establish Pedestrian Districts T3.2(c) will largely be established through Pedestrian/Bike Facilities Design Guidelines

Water Policy Development and Conservation

The City Council has identified water resource development and water conservation as priority issues.

Water resource development progress includes:

- Short-term Continue the drilling of another water well for FY 2004 (\$1.5 million budget).
 Equip the well from FY 2005 budgeted funds.
- Long- term Work with stakeholders, the USGS, and Bureau of Reclamation through the Governor's Rural Water Initiative Program. Opportunities for long-range water resource development such as groundwater and surface water importation.

Water conservation efforts include:

- Water restrictions temporarily imposed in FY 2002 and FY 2003.
- Developing a policy for reclaimed water use adopted by the City Council as Resolution No. 2002-89 on December 17, 2002.
- Adopting Ordinance 2002-07 on July 17, 2002, which provides for residential connections to the reclaimed water system as well as reimbursement and conversion agreements for added incentives.
- FY 2004 budgeted upgrades to the Wildcat Hill Wastewater Plant and reclaimed water

- extensions so that the two wastewater plants can produce A+ quality reclaimed water and provide irrigation water to new users
- Revision of the Water Conservation Ordinance adopted by the City Council on April 1, 2003 and its supporting Resolution No. 2003-20 adopting a long-term water resource sustainability strategy for Flagstaff
- Staffing the water conservation program with a full-time program manager and part-time enforcement agents in FY 2004

Workforce Reduction and Development

Due to the financial challenges the City faces, the City Manager appointed a Vacancy Review Committee (VRC) to determine if vacancies should be filled as they occur. Processes and criteria were developed to ensure that all positions (temporary and regular) were considered in the same manner. Through this process 7.5 FTE's were not filled in FY 2003 and three positions were held until July 1st to be filled.

Five year financial projections in the General Fund signified that the City would be experiencing a deficit in the out years so further staffing reductions were indicated. Department Heads will evaluate programs and services to determine which services or operations are of low priority and to identify the long and short-term implications of reducing, eliminating, or absorbing these programs. The City goal is to identify 10 to 15 general fund positions in both FY 2004 and 2005 (total of 20-30 positions) through this process, with the expectation that enterprise funds will absorb or fill any vacancies with employees whose positions have been identified for reduction.

A main priority through out this process has been to avoid lay-offs. The VRC has been charged with developing a process that will provide an in-depth review and discussion with supervisors and employees regarding how to transition employees from one position to another. The process will provide employees who are in positions identified for elimination an opportunity to transfer to a vacant Employees who do not meet the qualifications for the new position will be given the necessary training and tools to qualify and succeed in the new position. Fifty thousand dollars has been put into the Human Resources budget to address this need, thus capitalizing on the skills and knowledge of current employees and avoiding the need to lay-off employees.